



Survey report

Private client tax

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Farewell UK? Non-domiciles rethink their future

Changes to the UK tax regime for non-domiciled individuals are triggering a major rethink of tax affairs and location of residence. In our survey of non-doms conducted in July 2016, we found high levels of unrest and uncertainty.

In fact, 37% of the non-doms we surveyed are considering permanently leaving the UK in the near future.

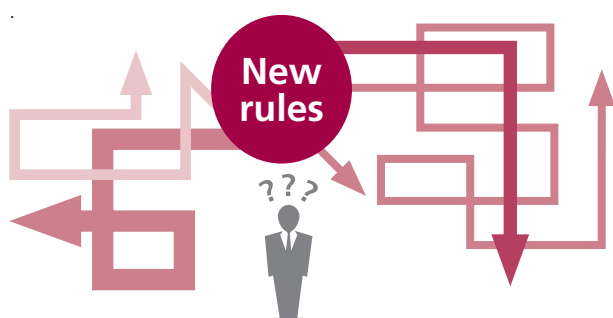
Tax a key driver for UK departure

Tax changes are clearly dominating non-doms' considerations of where to base themselves in future. Among survey respondents thinking of leaving the UK, 64% cited changing tax rules as the most important factor influencing their decision.

The rule changes, effective from April 2017, will alter the tax status of non-doms who have been resident in the UK for a prolonged period. Those non-doms will be considered UK domiciled for income, capital gains and inheritance tax purposes.

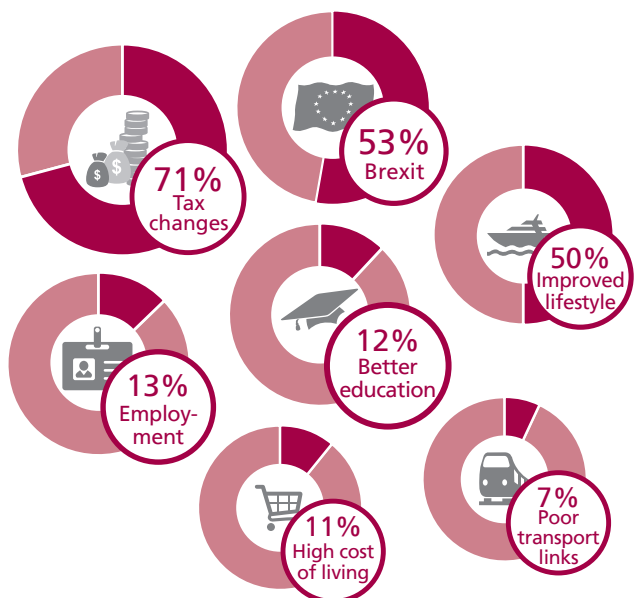
One survey respondent commented that this was "an ill-conceived move" that would "cost the Exchequer billions in lost revenue". Another said: "If there ever was an understanding between HMRC and non-doms, it is now completely broken."

One complication for non-doms considering their future is the lack of certainty on the new tax rules. "The indecision and lack of clarity is as concerning as the stated rules," one survey respondent commented. Another said it was "impossible to understand how filing and taxation on investments held outside the UK will work in the 2017/18 tax year for ex non-doms".



Brexit and lifestyle impact

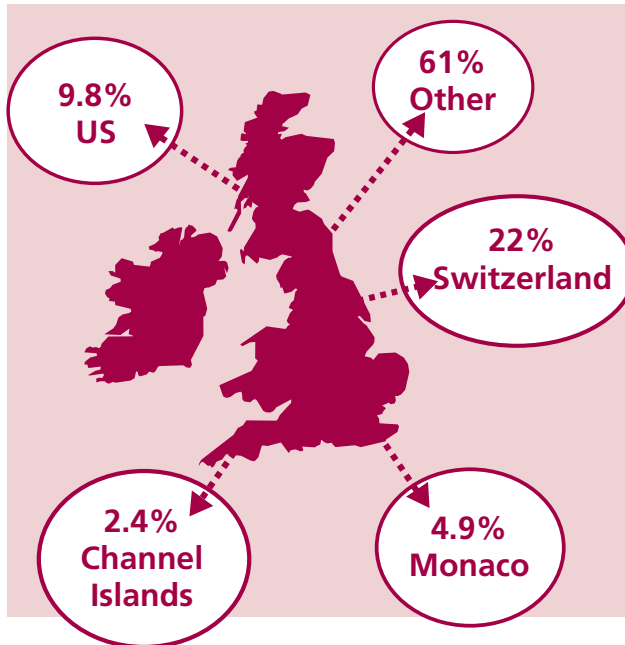
Tax isn't the only reason for possible UK departure, however. We asked survey participants to score a range of factors from 1 to 6 (where 1 was most important) based on how much they influenced the decision to leave the UK.



While tax changes attracted a top one or two score from 71% of non-doms surveyed, Brexit is also a widespread cause of concern: over half (53%) gave Brexit a top one or two importance score. Many non-doms also think they could have a better lifestyle elsewhere.

This shows that, while many non-doms may have chosen the UK for its beneficial tax regime, they do consider other factors. Many other jurisdictions offer similar tax advantages, as well as other cultural amenities and opportunities that make them attractive to non-doms.

Where might non-doms move to?



Non-doms thinking of leaving the UK have a number of new destinations in mind. The most popular location is Switzerland, with just under a quarter of respondents planning to move there. One in 10 are heading for the USA, and a few non-doms are considering moving to Monaco or the Channel Islands.

Most of the respondents who are considering ‘other’ locations did not specify which – perhaps they have yet to make up their mind. But some indicated they were planning to move to other countries in Europe, while individual non-doms are intending to relocate to Australia, the Caribbean and the UAE.

Connections with the UK

Non-doms currently have many different types of connection with the UK. A majority (70%) own a home in the UK, while over half have a spouse or partner, children and friends in the UK. Around a third (32%) are employed in the UK and 32% have business connections.

“32% are employed in the UK.”



How might these connections change after April 2017? Overall, respondents are more likely to have fewer UK connections. In particular, the proportion expecting to have a spouse or partner in the UK falls by 12 percentage points. This may reflect the

potential departure of some non-doms themselves – although there is no change in the percentage who expect to have children in the UK.

Other notable (though smaller) changes concern business and employment connections. The proportion of non-doms who expect to have business connections in the UK after April 2017 falls by seven percentage points, while there is a drop of five percentage points in the proportion expecting to be employed here.

Rethinking UK property

We asked non-doms a specific question about their plans for their UK property. The majority (81%) currently own a UK property, and one in five (20%) are planning to sell it in the next three years. This finding again reflects the fact that many non-doms are anticipating relocating outside the UK in the near future.

“81% of non-doms we surveyed own a home in the UK.”



How are business owners responding?

A substantial proportion (38%) of the non-doms we surveyed own a business that employs staff in the UK. Of this group, 41% expect staff levels to decrease after April 2017. Half envisage staff levels remaining the same, while 9% expect them to increase. This potential loss of employment among largely UK domiciled employees is a worrying knock on effect of attacking non-doms.

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Just under a quarter (23%) of non-doms who own a business are considering selling it after April 2017. As with the non-doms who are considering selling their UK property and don’t expect to own a UK home in future, many non-dom business owners also appear unsettled by the changing UK tax regime. Such a potential loss of entrepreneurship from the UK is a concern.

Common Reporting Standard concerns

The Common Reporting Standard (CRS) for the Automatic Exchange of Financial Account Information is a game-changer in the global fight against tax evasion. Financial institutions resident in CRS countries will report account holder information to their local tax authorities, which will then exchange information with countries where account holders are tax residents. The first information exchanges are expected to take place in September 2017.

“HMRC enquiries into often complex non UK structures and accounts can be costly and time consuming.”



Just under a third (31%) of the non-doms surveyed were unaware of the CRS. However, 30% of all survey participants (and 43% of those who have heard of it) are concerned about the level of disclosure of non-UK assets required by the CRS. HMRC enquiries into often complex non-UK structures and accounts can be costly and time consuming, even where no additional tax is found to be due, and this is obviously a concern for some non-doms.

Conclusion: Government reassurance needed

The UK referendum vote in support of Brexit provides a trigger for the Government to review how it promotes the UK to non-doms. Many non-doms are clearly unsettled by the coming changes to the tax rules, as well as uncertainty over Brexit negotiations.

Other countries offer similar tax advantages, and may have additional lifestyle benefits. By changing the taxation of non-doms, the Government has provided an incentive for individuals to seek potentially greener pastures elsewhere. But if large numbers of non-doms choose to leave the UK, this would be a real blow to the economy.

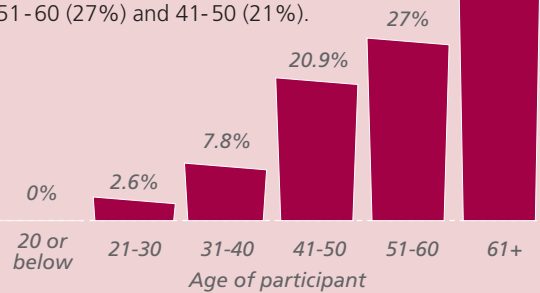
“Many non-doms are clearly unsettled by the coming changes to the tax rules.”



In order to keep non-doms and other high net-worth investors in the UK, the Government needs to make sure we remain an attractive option, compared to other jurisdictions who are competing for globally mobile wealthy families. It remains to be seen whether the recently issued consultation paper goes far enough to persuade non-doms to stay in the UK.

Survey sample

We received 115 survey responses. The majority of participants (71%) were male. The largest group of respondents (42%) were aged 61 and upwards, followed by those aged 51-60 (27%) and 41-50 (21%).



“These figures are a clear indication that non-doms are thinking about leaving the UK and putting their affairs in order to do so.”

Simon Baylis, Private Client Tax partner

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